

TOWN OF TOWNSEND

REQUEST FOR PROPOSALS

FOR

PROFESSIONAL AUDITING SERVICES

March 26, 2020

141 Main Street
P.O. Box 223
Townsend, Delaware 19734

TOWN OF TOWNSEND
REQUEST FOR PROPOSALS

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TOWN OF TOWNSEND REQUEST FOR PROPOSALS

I. INTRODUCTION

A. General Information

The Town of Townsend is requesting proposals from qualified firms of certified public accountants to prepare and audit its financial statements. These audits are to be performed in accordance with generally accepted auditing standards.

There is no expressed or implied obligation for the Town of Townsend to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

To be considered the proposal must be received by the Town of Townsend Town Clerk at Town of Townsend, P. O. Box 223 141 Main Street Townsend, DE 19734 by 2:00 p.m. on May 6, 2020. The Town of Townsend reserves the right to reject any or all proposals submitted.

B. Term of Engagement

A five (5) year engagement is contemplated, subject to the annual review and recommendation of the Finance Committee Chair, Town Manager and Town Financial Officer, the satisfactory negotiation of terms (including a price acceptable to both the Town of Townsend and the selected firm) and the concurrence of the Town of Townsend Council.

The Town of Townsend reserves the right to cancel the engagement upon completion of the audit for Fiscal Year 2020 for the remaining four years if the firm's performance is deemed to be unsatisfactory.

II. NATURE OF SERVICES REQUIRED

A. Scope of Work to be performed – To prepare the financial statements for the Town of Townsend and the related notes to the financial statements.

The Town of Townsend desires the auditor to express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles.

B. Auditing Standards to Be Followed

To meet the requirements of this request for proposals, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants. This includes implementation and early implementation of new standards.

C. Reports to be issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue:

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles
2. A report on compliance and internal control over financial reporting based on an audit of the financial statements

In the required report(s) on compliance and internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Irregularities and Illegal acts. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware of.

D. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of three (3) years, unless the firm is notified in writing by the Town of Townsend of the need to extend the retention period.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

III. DESCRIPTION OF THE GOVERNMENT

A. Background Information

The Town of Townsend serves an area of 1.05 square miles with a population of 2,556. The Town of Townsend 's fiscal year begins on July 1 and ends on June 30.

The Town of Townsend provides the following services to its citizens:

Emergency Preparedness	Street Maintenance/Cleaning/Snow Removal
Contracted Policing	Town of Townsend Elections
Trash Collection	Building Inspections
Parks	Planning and Zoning

The Town of Townsend has per the 2020 Budget document a total payroll of \$386,490 covering 12 employees and paid officials.

B. Budgetary Basis of Accounting

The Town of Townsend prepares the budgets for the General Fund revenues on the modified accrual bases of accounting. The expenditures are accounted for when the purchase orders are issued.

C. Computer Systems

Software

Applications on Desktops: Microsoft Office 365, Edmunds GovTech
Payroll is processed using a third party, PMA.

E. Availability of Prior Audit Reports and Working Papers

Interested proposers who wish to review prior years' audit reports should contact Jennifer Helms at 141 Main Street or by phone 302-378-8082. The Town of Townsend will use its best efforts to make prior audit reports and supporting working papers available to proposers to aid their response to this request for proposals.

IV. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

Request for proposal issued	March 23, 2020
Due date for notification of interest (Appendix C)	April 3, 2020
Proposal due date	May 6, 2020 at 2:00 p.m.
Selected firm notified	May 21, 2020
Initial Kickoff Meeting	June 1, 2020

B. Tentative schedule for the 2020 Fiscal Year Audit (A similar time schedule will be developed for audits of future fiscal years if the Town of Townsend exercises its option for additional audits).

Each of the following should be completed by the auditor no later than the dates indicated.

1. Detailed Audit Plan - The auditor shall provide Town of Townsend by July 1, 2020 both a detailed audit plan and a list of all schedules to be prepared by the Town of Townsend.

2. Fieldwork - The auditor shall complete all fieldwork by October 9, 2020.
3. Draft Reports - The auditor shall have reviewed all draft schedules and statements and provide recommendations to management by November 2, 2020.

C. Finalizing the Auditor's Report

The Financial Officer will complete their review of the draft reports as expeditiously as possible. It is not expected that this process should exceed one week. During that period, the auditor should be available for any meetings that may be necessary to discuss the audit reports. Once all issues for discussion are resolved, the final signed report shall be delivered to the Financial Officer within ten (10) working days. It is anticipated that this process will be completed, and the final report delivered by November 20, 2020.

The auditor's final signed report should be electronically delivered to Financial Officer via email.

V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Finance Officer and Clerical Assistance

The Finance Officer, Town staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the auditor.

B. Work Area, Telephones, Photocopying and FAX Machines

The Town of Townsend will provide the auditor with reasonable workspace. The auditor will also be provided with access to an internet port, telephone lines, photocopying facilities and FAX machines.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1) Submission of Notification of Interest

Firms interested in submitting a proposal must submit by April 3, 2020.

2) Inquiries

Inquiries concerning the request for proposals and the subject of the request for proposals must be made in writing to:

Jennifer Helms
P.O. Box 223
141 Main Street
Townsend, DE 19734
Email: jhelms@townsend.delaware.gov

Telephone inquiries will not be accepted.

3) Submission of Proposals

The following material is required to be received for a proposing firm to be considered:

- a) A master copy (so marked) of a Technical Proposal and two (2) hard copies, as well as one electronic copy to include the following:

Title Page

Title page showing the request for proposals subject; the firm's name; the name, address and telephone number of the contact person; and the date of the proposal.

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Transmittal Letter

A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for ninety (90) days.

Detailed Proposal

The detailed proposal should follow the order set forth in Section VI B of this request for proposals.

Executed copies of Proposer Warranties, attached to this request for proposal (Appendix A)

- a) The proposer shall submit an original dollar cost bid in a separate sealed envelope marked as follows:

SEALED DOLLAR COST BID PROPOSAL
TOWN OF TOWNSEND
FOR
PROFESSIONAL AUDITING SERVICES
MARCH 23, 2020

- b) Proposers should send the completed proposal consisting of the two separates envelopes to the following address:

TOWN CLERK

TOWN OF TOWNSEND
P.O. BOX 223
141 MAIN STREET
TOWNSEND, DE 19734

B. Technical Proposal

1) General Requirements

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the Town of Townsend in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation. The Technical Proposal should demonstrate the qualifications of the firm and of the staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposals requirements.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

The Technical Proposal should address all the points outlined in the request for proposals (excluding any cost information, which should only be included in the sealed dollar cost bid). The Proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposals. While additional data may be presented, the following subjects, items Nos. 2 through 8, must be included. They represent the criteria against which the proposal will be evaluated.

2) Independence

The firm should provide an affirmative statement that is independent of the Town of Townsend as defined by generally accepted auditing standards.

In addition, the firm shall give the Town of Townsend written notice of any professional relationships entered into during the period of this agreement.

3) License to Practice in the State of Delaware

An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in the State of Delaware.

4) Firm Qualifications and Experience

The proposer should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement on

a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

5) Partner, Supervisory and Staff Qualifications and Experience

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement. Indicate whether each such person is registered or licensed to practice as a certified public accountant in the State of Delaware. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

6) Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum - 3) performed in the last five years that are similar to the engagement described in this request for proposal. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

7) Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for proposal. In developing the work plan, reference should be made to such sources of information as Town of Townsend 's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.

Proposers will be required to provide the following information on their audit approach:

- a) Proposed segmentation of the engagement
- b) Level of staff and number of hours to be assigned to each proposed segment of the engagement
- c) Sample size and the extent to which statistical sampling is to be used in the engagement
- d) Extent of use of EDP software in the engagement

- e) Type and extent of analytical procedures to be used in the engagement
- f) Approach to be taken to gain and document an understanding of the Town of Townsend's internal control structure
- g) Approach to be taken in determining laws and regulations that will be subject to audit test work
- h) Approach to be taken in drawing audit samples for purposes of tests of compliance

8. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the Town of Townsend.

C. Sealed Dollar Cost Bid

1. Total All-Inclusive Maximum Price

The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposal. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses. (See Appendix B for format.)

The Town of Townsend will not be responsible for expenses incurred in preparing and submitting the technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page of the sealed dollar cost bid should include the following information:

- a) Name of Firm
- b) Certification that the person signing the proposal is entitled to represent the firm and empowered to submit the bid.
- c) A Total All-Inclusive Maximum Price for each year of the engagement

2. Rates by Partner, Specialist, Supervisory and Staff level times hours anticipated for each

The second page of the sealed dollar cost bid should include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix B) that supports the total all-inclusive maximum price.

3. Out-of-pocket Expenses Included in the Total All-inclusive Maximum Price and Reimbursement Rates

Out-of-pocket expenses for firm personnel (e.g., travel, lodging and subsistence) will be reimbursed at the rates used by the Town of Townsend for its employees. All estimated out-of-pocket expenses to be reimbursed should be presented on the second page of the sealed dollar cost bid. All expense reimbursements will be charged against the total all-

inclusive maximum price submitted by the firm.

In addition, a statement must be included in the sealed dollar cost bid stating the firm will accept reimbursement for travel, lodging and subsistence at the prevailing Town of Townsend rates for its employees.

4. Rates for Additional Professional Services

If it should become necessary for the Town of Townsend to request the auditor to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between Town of Townsend and the firm. Any such additional work agreed to between the Town of Townsend and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

5. Manner of Payment

Progress payments will be made based on hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's dollar cost bid proposal. Interim billing shall cover a period of not less than a calendar month. Final payment will be perfected upon delivery of the final report.

VII. EVALUATION PROCEDURES

A. Review of Proposals

The Town of Townsend will use a point formula during the review process to score proposals. Town of Townsend staff will first score each technical proposal by each of the criteria described in Section VII. B below. Staff will then convene to review and discuss these evaluations and to combine the individual scores to arrive at a composite technical score for each firm. At this point, firms with an unacceptably low technical score may be eliminated from further consideration.

After the composite technical score for each firm has been established, the sealed dollar cost bid will be opened and additional points will be added to the technical score based on the price bid. The maximum score for price will be assigned to the firm offering the lowest total all-inclusive maximum price. Appropriate fractional scores will be assigned to other proposers.

The Town of Townsend reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

B. Evaluation Criteria

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represent the principal selection criteria, which will be considered during the evaluation process.

1. Mandatory Elements

- a) The audit firm is independent and licensed to practice in the State of Delaware
- b) The firm has no conflict of interest regarding any other work performed by the firm for the Town of Townsend
- c) The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal
- d) The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work,
- e) The firm's professional personnel have received adequate continuing professional education within the preceding two (2) years.

2. Technical Qualifications: (Maximum Points - 70)

- a) Expertise and Experience
 - (1) The firm's past experience and performance on comparable government engagements
 - (2) The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation
- b) Audit Approach
 - (1) Adequacy of proposed staffing plan for various segments of the engagement
 - (2) Adequacy of sampling techniques
 - (3) Adequacy of analytical procedures

3. Price: (Maximum Points - 30)

Cost will not be the primary factor in the selection of an audit firm

C. Final Selection

The Town of Townsend will select a firm based upon the recommendation of the Finance Department and the Finance Committee. It is anticipated that a firm will be selected by May 6, 2020.

D. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted. The Town of Townsend reserves the right without prejudice to reject any or all proposals.

APPENDIX A

PROPOSER WARRANTIES

- A. The proposer certifies it can and will provide and make available, as a minimum, all services set forth in Section II, Nature of Services Required.
- B. Proposer warrants that it is willing and able to comply with State of Delaware laws with respect to foreign (non-state of Delaware) corporations.
- C. Proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- D. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the Town of Townsend.
- E. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: _____

Name (typed): _____

Title: _____

Firm: _____

Date: _____

APPENDIX B

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

FOR THE **AUDIT** OF THE **2020** FINANCIAL STATEMENTS

	<u>Hours</u>	<u>Hourly Rates</u>	<u>Total</u>
Partners			
Managers			
Supervisory Staff			
Audit Staff			
Other (specify):			
Total for services			
Out-of-pocket expenses:			
Meals and lodging			
Transportation			
Other (specify): _____			
Total all-inclusive maximum price for 2020 audit			

Note: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum price.

COMPLETE ONE SCHEDULE FOR THE AUDIT OF EACH FISCAL YEAR END
(2020, 2021, 2022, 2023 & 2024)

OR

ONE SCHEDULE IS ACCEPTABLE IF ALL OF THE ABOVE INFORMATION IS
PRESENTED BY YEAR (I.E. USING SPREADSHEET SOFTWARE)

APPENDIX C

NOTIFICATION OF INTEREST

[ACCOUNTING FIRM'S LETTERHEAD]

Town of Townsend
Attn: Anthony S. Mangeri
P.O. Box 223
141 Main Street
Townsend, DE 19734

NOTIFICATION OF INTEREST

Dear Mr. Mangeri,

Our firm is interested in submitting a proposal to audit the Town of Townsend 's financial statements for the fiscal year's ending June 30, 2020, with the option of auditing the Town of Townsend 's financial statements for the four (4) subsequent fiscal years, as set forth in the request for proposal (RFP) dated March 26, 2020.

Yours very truly,

[AUDIT FIRM]

APPENDIX D

TENTATIVE PROFESSIONAL AUDITING SERVICES CALENDAR

<u>ACTIVITY TO BE COMPLETED</u>	<u>DATE</u>
Proposal Issued/Advertised	March 26, 2020
Notification of Interest	April 3, 2020
Proposal Due Date (Sealed dollar cost bids will not be opened until all technical reviews are completed and scored)	May 6, 2020 by 2:00 p.m.
Bids Opened and Read Publicly	May 6, 2020
Town of Townsend Council	May 20, 2020
Selected Firm Notified	May 21, 2020
Initial Kickoff Meeting	June 1, 2020
Detailed Audit Plan Submitted	July 1, 2020
Fieldwork Completed	October 9, 2020
Draft Schedules & Statements	November 2, 2020
Final Schedules & Statements	November 20, 2020